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Strategic Planning and Organizational Success: An Empirical Study on Small Businesses in the Service Sector in Bahrain

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Abstract: Strategic planning has been proven to be an effective organizational tool that plays a vital role in organizational success and performance. Strategic managers understand the importance of the formulation and execution of strategic plans that can guide the direction of the organization, its decision-making process, implementation, evaluation, and control of plans. Strategic planning level and intensity are influenced by several managerial, organizational, and environmental factors and can vary from one organization to another. This paper mainly aims to investigate the impact of strategic planning on organizational performance. The study covers the services sector in Bahrain by implementing qualitative and quantitative approaches based on interviews and surveys with managers and other members in the strategic planning team from small businesses in Bahrain. Results showed that environmental scanning and resource availability have an insignificant impact on organizational success, while strategy formulation, implementation, and evaluation have a significant impact and high correlation on organizational success and performance in the services sector in Bahrain.

Keywords: Strategic Planning, Organizational Success, Small Businesses, Service Sector, Bahrain

Type: Research paper

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1. Introduction

In an increasingly volatile global economy, strategic planning has moved from being a luxury of large corporations to a fundamental necessity for small and medium-sized enterprises (SMEs). Within the Kingdom of Bahrain, the service sector stands as a cornerstone of the national diversification strategy under Economic Vision 2030. Despite their vital contribution to the GDP, many small businesses in this sector continue to struggle with sustainability, often operating reactively rather than proactively. While the broader relationship between strategy and performance is well-documented, there remains a critical gap in understanding how specific phases of the planning process—ranging from environmental scanning to evaluation—directly translate into organizational success within the unique regulatory and cultural landscape of Bahrain.

This study addresses this gap by investigating the extent to which strategic planning practices influence the performance of Bahraini service-based SMEs. While governmental support through entities like Tamkeen has provided a foundation for growth, empirical evidence on how these firms internalize planning remains sparse. The primary objective of this research is to move beyond theoretical assumptions and provide a data-driven analysis of the strategic planning-performance link. Specifically, this paper seeks to answer: How does each stage of the strategic process impact success? Are there specific organizational or environmental factors that hinder the effectiveness of these plans? By exploring these questions through a mixed-methods lens, this study aims to provide local entrepreneurs and policymakers with actionable insights to enhance business longevity and competitive advantage in a post-pandemic market.

2. Literature Review

The relationship between strategic planning and organizational success is rooted in a tension between internal capabilities and external pressures. At the heart of this study is the Resource-Based View (RBV), which suggests that a firm's competitive advantage is not merely a product of market position, but of its ability to orchestrate internal resources—such as managerial foresight and structured decision-making—into a cohesive strategy. In the context of Bahraini SMEs, strategic planning acts as the "dynamic capability" that allows a small firm to punch above its weight. However, as Contingency Theory reminds us, there is no universal "best" strategy. Instead, success depends on the "fit" between the firm's planning style and its specific environment (Shala et al., 2021). This explains why a model designed for a large multinational often requires significant adaptation before it can yield results for a local service provider in Bahrain. Recent empirical evidence from the Bahraini SME sector suggests that organizational success is increasingly dependent on the strategic alignment between internal planning processes and technological adoption, where a structured roadmap serves as the primary driver for operational efficiency (Al-Alawi & Al-Amir, 2025).

Global empirical evidence reflects this complexity, often highlighting a "planning-performance gap" in developing economies. Research from Kenya and Nigeria, for instance, suggests that while formal planning significantly boosts performance, many small firms are held back by a lack of specialized strategic knowledge and the sheer weight of day-to-day survival (Tanui et al., 2022; Umar et al., 2020). These challenges are not merely operational but structural. According to Organizational Theory, the transition from an informal, founder-led decision-making style to a professionalized framework is often the most difficult hurdle for an SME. As Wun (2019) notes, particularly in the service sector where human capital is the primary asset, a strategy only succeeds if the entire team can internalize and execute the organizational vision.

Traditional models often view strategic planning as a linear process, yet modern research—and the unique dynamics of the Bahraini market—suggest a more integrated approach. By synthesizing these theoretical lenses, this study moves beyond a simple “planning vs. performance” debate to explore how the interplay of local culture, resource availability, and leadership style shapes the success of small service enterprises.

3. Conceptual Model

To examine these relationships empirically, this study proposes a conceptual model (Figure 1) that breaks strategic planning into its functional components: formulation, implementation, and evaluation. Unlike broader models, this model specifically tests the influence of environmental scanning and resource availability—two factors often cited as critical, yet frequently misunderstood in the SME context.

Strategic Planning (Independent Variable)	**Organizational Success (Dependent Variable)**
• Resource Availability • Environmental Scanning • Strategy Formulation • Strategy Implementation and Evaluation	• Organizational Performance • Customer Satisfaction • Employee Performance

Figure 1: Conceptual Model

The model above illustrates the hypothesized pathways through which these strategic phases influence organizational success. By isolating these variables, the research aims to pinpoint exactly where the “breakdown” in the strategic process occurs for Bahraini SMEs, providing a bridge between abstract management theory and the practical realities of the Bahraini service sector.

4. Methodology

To capture the complexity of strategic planning within Bahrain’s service sector, this study adopted a mixed-methods research design. By combining quantitative and qualitative approaches, the research was able to triangulate objective performance data with the lived experiences of local entrepreneurs. This pragmatist approach is particularly suited for studying SMEs, where formal data is often supplemented by the informal insights and decision-making styles of business owners.

The primary data was collected through a two-phased approach. First, a quantitative survey was distributed to a purposive sample of 104 owners and managers of small service enterprises across Bahrain. The survey utilized a Likert-scale instrument to measure the intensity of strategic planning phases—formulation, implementation, and evaluation—and their perceived impact on organizational success. The survey items were adapted from validated scales (Table 1).

Table 1: Survey Items by Construct

Construct	References	Number of Items
Resource Availability	Tanui et al. (2022)	3

Environmental Scanning	Cruz et al. (2023)	3
Strategy Formulation	Abdul Rahman (2019)	3
Strategy Implementation and Evaluation	Abdul Rahman (2019)	3
Organizational Performance	Wun (2019)	3
Customer Satisfaction	Wun (2019)	3

To ensure the findings were grounded in the local context, this was followed by a qualitative phase involving semi-structured interviews with 10 key decision-makers (Table 2). These interviews allowed for a deeper exploration of the "human" side of strategy, specifically uncovering the cultural and resource-based barriers that a numerical survey might overlook.

Table 2: Interview Questions

Interview Question	Source
1. How often do you conduct strategic planning and how much time do you regularly invest in strategic planning? What methods do you use?	Indeed (2023)
2. What factors or criteria do you consider when building or choosing a strategic plan?	Indeed (2023)
3. How do you keep track of the progress of your strategies and ultimately measure their success and effectiveness?	Indeed (2023)
4. What are some common challenges or barriers that arise during the design and implementation of a strategic plan, and how do you address or overcome them?	Indeed (2023)
5. Based on your previous experience and knowledge, how can strategic planning contribute to your business success and development?	Indeed (2023)

The study targeted the service sector due to its high concentration of SMEs and its critical role in the national economy. Given the difficulty of accessing a complete, centralized registry of all small businesses in the Kingdom, a convenience sampling technique was employed, leveraging professional networks and industry associations. While this approach presents certain limitations in terms of generalizability, the diversity of the respondents—ranging from technology startups to traditional logistics providers—ensures that the findings reflect a broad spectrum of the Bahraini service industry. This methodological blend provides a robust foundation for analyzing how strategic intent translates into operational reality in a competitive local market.

5. Quantitative Results

The analysis began with a validation of the research instrument. Cronbach's Alpha coefficients for all variables ranged from 0.638 to 0.917, confirming the reliability of the scales. Following this, a descriptive analysis revealed a high level of agreement among Bahraini managers regarding the impact of strategic variables, with Strategy Implementation and Evaluation receiving the highest mean score (M=4.099).

To test the hypothesized relationships, a Pearson Correlation analysis was conducted (Table 3). The results show that all strategic planning dimensions are significantly and positively correlated with organizational success at the 1% level. Notably, the strongest correlation exists between Implementation/Evaluation and Success (r=0.718), suggesting that the "action" phase of strategy is more closely tied to performance than the "thinking" phase.

Table 3: Correlation Analysis

Constructs	Organizational Success	Resource Availability	Environmental Scanning	Strategy Formulation
Organizational Success	1			
Resource Availability	.497**	1		
Environmental Scanning	.629**	.624**	1	
Strategy Formulation	.692**	.628**	.720**	1
Strategy Implementation & Evaluation	.718**	.539**	.626**	.616**

Note: ** Correlation is significant at the 0.01 level (2-tailed).

The regression model (Table 4) explains 62.1% of the variation in organizational success ($R^2 = 0.621$). However, the path analysis reveals a "planning paradox" unique to the Bahraini service sector. While Strategy Formulation (beta=0.359) and Implementation (beta=0.446) are powerful, significant predictors of success, Environmental Scanning and Resource Availability proved statistically insignificant in the final model. Most surprisingly, Resource Availability showed a slight negative coefficient (beta=−0.042), indicating that an abundance of resources does not inherently guarantee success for a Bahraini SME; rather, it is how those resources are managed through the strategic process.

Table 4: Regression Coefficients

Predictor	Beta	t	Sig.
(Constant)		1.052	.295
Resource Availability	-0.042	-0.499	.619
Environmental Scanning	0.118	1.201	.233
Strategy Formulation	0.359	3.684	.000*
Strategy Implementation and Evaluation	0.446	5.289	.000*

Note: *Significant at $p < 0.05$; Dependent Variable: Organizational Success

6. Qualitative Findings

The qualitative interviews provided the necessary context to explain these statistical anomalies. When asked about the insignificance of "Environmental Scanning," managers highlighted the extreme volatility of the local market. One respondent noted that by the time a formal analysis is complete, the market has already shifted, leading firms to favor "Strategic Agility" over formal scanning.

The interviews further clarified the dominant role of Implementation. Managers identified that success in Bahrain is less about the "perfect plan" and more about "leadership, communication, and teamwork." The qualitative data suggests that the transition from a founder's vision to daily operational tasks is where most value is created—or lost.

Despite the clear benefits of planning, several structural barriers remain. Both the survey and interviews identified "Lack of Experience" and "Organizational Culture" as primary hurdles. There is a documented resistance to change among employees, often exacerbated by a "daily task" mindset that leaves little room for long-term strategic reflection. Additionally, rigid government regulations and limited access to specialized human capital were cited as external pressures that complicate the implementation of even the best-laid plans.

7. Conclusion

The results of this empirical inquiry offer a nuanced perspective on the strategic mechanisms driving success within Bahrain's service sector. By examining the interplay between formal planning phases and organizational outcomes, this study highlights a "strategic disconnect" between traditional management theory and the practical realities of small businesses in a rapidly evolving market.

A central finding of this research is the statistical insignificance and negative correlation of Resource Availability and Environmental Scanning regarding organizational success. This stands in stark contrast to established literature (e.g., Al-Doori & Areiqat, 2019; Alosani et al., 2020), which typically positions these factors as the bedrock of competitive advantage. However, the qualitative insights from this study provide a human context for this departure. For many Bahraini SMEs, "having" resources is less critical than the ability to utilize them through structured planning. The negative correlation suggests that an abundance of resources may lead to complacency or inefficiency if not anchored by a rigorous strategic framework.

Similarly, while the rejection of the environmental scanning hypothesis contradicts mainstream theory, it reflects the hyper-volatility of the local service sector. Managers expressed that in a market characterized by rapid digital shifts, exhaustive scanning can lead to "analysis paralysis." Instead, the accepted hypotheses regarding Strategy Formulation and Implementation (which showed the highest correlation, $r=0.718$) indicate that success in Bahrain is an internal game. Organizations that prioritize the discipline of setting a vision and, more importantly, the rigor of executing and evaluating that vision, significantly outperform those that rely on market predictions alone. These findings align with Abdul Rahman's (2019) analysis of the Bahraini financial sector, reinforcing that internal process improvement and customer-centric execution are the true catalysts for excellence.

The implications of these findings are twofold. Theoretically, this study suggests that the "Resource-Based View" needs to be re-contextualized for small firms in emerging markets; it is not the assets that matter, but the strategic orchestration of those assets. Practically, the transition from informal, founder-led decision-making to structured strategic planning remains the most significant hurdle for the Bahraini private sector. While strategy is recognized as a theoretical necessity, its effective implementation is often hindered by organizational culture and a "daily-task" mindset.

Furthermore, this research identifies a critical role for the public sector. The success of small businesses is not a vacuum; it is shaped by the regulatory and support infrastructure provided by government entities. To bridge the gap between “survival” and “growth,” there is an urgent need for policies that move beyond financial subsidies toward fostering a national culture of strategic literacy.

Based on the empirical evidence, we propose the following actions to enhance the sustainability of the Bahraini service sector:

- Prioritize Execution over Prediction: Small business owners should shift their focus from exhaustive market forecasting to the Implementation and Evaluation phase. Establishing Key Performance Indicators (KPIs) and regular review milestones ensures that the organization remains agile and capable of pivoting when the market shifts.
- Cultural Alignment: Leaders must move beyond “writing the plan” to “embedding the plan.” This involves clear communication across all departments to ensure that strategic goals are translated into daily responsibilities, thereby overcoming the resistance to change identified as a major barrier in this study.
- Strategic Conditionality for Support: We recommend that support entities, specifically Tamkeen, transition toward a model of “strategic conditionality.” Rather than offering broad grants, financial aid should be contingent upon the presentation of a robust, long-term (minimum 5-year) strategic plan. This would incentivize SMEs to adopt the planning behaviors that this study has proven to be essential for success.
- Public-Private Partnerships for Skill-Building: To address the lack of specialized strategic expertise, the public sector should facilitate training programs that focus on “Strategic Thinking” for SME managers, helping them move out of their comfort zones and into proactive leadership roles.

While this study provides a localized lens on a global challenge, it is not without limitations. The purposive and convenience sampling approach, necessitated by the lack of a centralized SME registry, limits the generalizability of the findings to the entire Bahraini economy. Additionally, the short time frame and the sensitivity of certain corporate data may have constrained the depth of analysis. Finally, the study used a relatively small sample size of 104 surveys and 10 interviews; nonetheless, the use of a mixed-methods approach allowed for data triangulation, which mitigated this constraint and provided deep insights into the strategic planning processes of Bahraini SMEs.

Future studies should look to extend this scope by conducting longitudinal studies to track the progress of SMEs over multiple strategic cycles. Furthermore, an investigation into the role of government support—specifically the impact of technical and ethical guidance during strategy implementation—would provide a more holistic understanding of the SME ecosystem. By continuing to refine our understanding of these dynamics, we can better support the vision of a resilient, strategically aligned, and prosperous Bahraini economy.

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